

A Letter to the Citizens of Brooklyn:

Let me begin by saying that I truly appreciate your support on the vote to raise the taxes needed to build a new fire station. I pledge that we will ensure that those funds are used well and that our community will have a new resource we can be proud of that will serve us well for years to come. Once again, I am pleased that you expressed your trust in my administration. As part of my ongoing drive to maintain that trust, I am providing you with the Popular Annual Financial Report (PAFR) for the City of Brooklyn. This report gives an analysis of the financial position of the City for the fiscal year ending December 31, 2004. This report shows where the revenues come from to operate the City and where those same dollars are spent. As Mayor it continues to be my vision to lead a high performing administration that delivered outstanding city services and maintained or improved the quality of life for the citizens of Brooklyn. I believe it is good government to communicate the results of our operations in an easily understood, user-friendly report. I believe publishing a PAFR for the City of Brooklyn helps meet that objective. I am committed to the principal of presenting our financial information as a means of increasing public confidence in the governing body of the City as well as its elected and appointed officials.

During my first four years in office, the City had balanced General Fund budgets each year with revenues exceeding expenditures. We managed our resources well and tripled our end of year General Fund balance. We knew it was going to be a real challenge to maintain that balance. We had 27 pay dates in 2004. That extra pay date cost the city over \$400,000. Health care costs rose by 15% adding \$181,000 to expenses. A 3.5% pay raise for employees cost over \$300,000. Workers Compensation costs increased by \$69,000. Storm Water Phase II cost an additional \$25,000. We had \$61,000 in new costs at the Landfill. These items added over \$1 million to costs from the previous year. During our Mid Year Review it was obvious that revenue was significantly lagging projections. We took action and cut more costs from the budget. We ended the year \$509,000 under budget and \$222,000 under our self imposed target. Our fund balance declined as we knew it would, but we kept it within \$150,000 of the original projection. We maintained the working balance we know we must have to remain financially sound in the trying times Northeast Ohio is experiencing.

Citizens and taxpayers deserve accountability for the use of their tax dollars and this PAFR is intended to provide a better understanding of the City's finances. I appreciate the fact that you took the time to review this information. If you have questions or would like more details regarding our City's finances, please pick up a copy of the 2004 City of Brooklyn Comprehensive Annual Financial Report (CAFR) at City Hall.

Thank you for your continuing support in making Brooklyn a great place to live, work, play and raise a family.

Very Truly Yours,

Kenneth E. Patton, Mayor

Financial Review

Governmental Funds

The information presented in this review is a summary of the City's primary financial operations for the fiscal year ended December 31, 2004. The data included is compiled from the City's Comprehensive Annual Financial Report (CAFR) and is limited to the City's Governmental Funds which are as follows:

General Fund – accounts for the revenues and expenses associated with the general governmental operations of the city. Included in this fund are the wages and benefits for most of the city's employees, contract services, materials and supplies and smaller equipment needed to run Police, Fire, the Service Department and Building Department, Recreation, Mayor's Court, Finance, Senior Services and all other administrative functions to manage city operations.

Special Revenue Funds – accounts for the proceeds of specific revenue sources and the expenditures associated with them that are restricted by law and administrative action for specific purposes (e.g. street maintenance, recycling, D.A.R.E. and Community Development Block Grant funds).

Debt Service Funds – accounts for the revenues and expenses dedicated to the payment of general long-term debt and special assessment principal, interest and related costs.

Capital Project Funds – accounts for financial resources used for the construction or acquisition of major capital facilities (e.g. ambulances, police cruisers, trucks, sewer projects, park improvements, street improvements and buildings).

Where the Money Comes From __

Revenues

The largest sources of revenue include income tax, property tax and state shared taxes. The City also generates significant revenue through charges for services (such as ambulance services and recreation fees) and fines, licenses and permits (e.g. building permits and Mayor's Court). One main factor caused total revenues for 2004 to decline by \$495,839, a 2.80% decrease. That one item is that in 2003 the City received a \$700,000 one time payment on a seven year IRS settlement for Income Tax. Beyond that, Income Tax declined by an additional 2% due to the poor economy in Northeast Ohio in 2004. Thus, income tax collections declined by \$932,040. Operating Grants increased by \$343,315. We received a \$99,350 COPS Grant which paid for about 30% of the upgrade to a new Centralized Dispatch Center. For the third year in a row the City received a FEMA fire grant: this time for \$60,000 for fire equipment. The City received CDBG funds for Exterior Maintenance for housing and for a Master Plan. Finally, the County paid for 80% of the repaving of Ridge Road Phase III.

One of the City's financial strengths is that it does not have one primary taxpayer or source of tax that it is solely dependent on. Income tax generates about 65% of the City's revenue. Property Tax adds about 13%. Charges for Services added another 9%. All other sources contributed about 13% (See Figure 1).

Where the Money Goes To — —

Expenditures

The total cost for all programs for 2003 was \$17,271,023. The total cost for 2004 was \$17,253,810. The City spent \$17,213 less in 2004 than the previous year. This is in spite of an added pay date, a 3.5% pay raise and a 15% increase in health care costs. The expenses for all programs were held in check with none of them increasing by more than 3%. Most areas had essentially no increase or a slight decline. Expenditures for Police and Fire protection were once again the highest portion of the total, accounting for 43% of all expenditures. Basic Utility Services makes up 18% of expenses. This includes trash collection, snow removal and recycling. The third largest cost is for Leisure Time Activities. The City has a recreation center with an ice rink, indoor and outdoor pools, playgrounds, two large parks and a senior community center. Recreation accounts for about 14% of expense. General Government comprises almost 10% of total expense. The City collects its own income taxes so the cost of that operation is included here. Community Environment is the fifth largest area of expense. The City operates the only municipal landfill in Cuyahoga County. Thus, expenses in this area are higher than it might be for other cities. This is more than offset by substantially lower fees for utility services. The City pays about one tenth of the amount in fees for operation of the landfill that would be required if

tipping fees had to be paid for taking trash to another site. About 5% of our budget is spent on Transportation. Brooklyn has always maintained its streets well and routinely spends in excess of \$500,000 in street repairs. This area had the largest reduction and the city still spent near the 5% mark.

UNDERSTANDING PROPERTY TAX

Property tax in Brooklyn is administered by the Cuyahoga County Auditor and is based on the County assigned value of all parcels of land within each taxing district. The County Auditor determines an assessed value which is 35 per cent of the appraised market value of each parcel. This value is updated every three years based on the average price that similar properties sold for within the previous three-year period. Every six years, auditors re-appraise the value of each piece of land based on any building additions or major improvements. The last re-appraisal was completed in 2000 for tax collection year 2001. An update was completed in 2003 for tax collection year 2004.

Most of the property tax for the City is used for general operating expense with a portion to debt repayment, funding of Police and Firemen's pensions and street lighting. This year an additional portion has been established to fund the construction of a new fire station. These uses are shown graphically in Figure 4.

The City has charter authority to levy up to 12 mills of property tax. Brooklyn is the only City in Cuyahoga County that does not levy at least the full amount authorized by charter. The City has previously levied 5.4 mills. That amount was increased to 6.9 mills in 2004 for collection in 2005. On November 2, 2004 voters indicated they favored increasing property tax by 1.0 mill to build a new fire station and by .5 mill to fully fund police and firemen's pensions as required by charter. The overall property tax rate for Brooklyn declined in 2003 from 68.8 mills to 66.7 mills. The Library had .6 mill approved in the May election. The City had 1.5 mills approved and the Metro Parks had .3 mill approved in the November election. This increased the level to 69.1 mills with an effective rate of 52.19 mills. Property Tax rates for the City of Brooklyn are still one of the five lowest in Cuyahoga County. Property Tax as a percentage of market value is now 1.60% for residential and 1.70% for commercial/industrial. Property Tax for a \$100,000 home may thus be estimated as follows: $\$100,000 \times 1.60\% = \$1,600$. The \$1,600 in property tax for this year would be allocated as follows: Schools 53.70%, County 29.26%, Library 3.82% and City 13.22% (See Figure 5).

INCOME TAX RECEIPTS

Income tax receipts were expected to decline in 2004. Fiscal Year 2003 collections rose decidedly from 2002 with net collections increasing to \$12.120 million. The City had received a payment of \$700,000 for settlement of taxes owed due to an IRS ruling. We knew that occurrence would not be repeated in 2004. Receipts declined by \$932,040 to \$11.188 million. About 75% of this decline was expected. Economists projected an upswing in the economy during 2004. This projection did not materialize in Northeast Ohio. Collections throughout the year were about \$250,000 less than 2003 after the removal of the \$700,000 one time payment from the base figure.

The City of Brooklyn levies a 2% income tax on earned income within the City which is applied to gross salaries, wages, personal services compensation and net income of for-profit organizations that conduct business in Brooklyn. Brooklyn residents are required to pay this tax on income they earn outside the City but are given 100% credit for income taxes paid to the municipality in which they work.

As with most cities, the businesses provide the bulk of the revenues the city receives. In 2004, nearly 98% of the income tax collected for the City of Brooklyn came from its businesses. Residents paid about 2% (See Fig. 3).

Fund Balance

On a full accrual basis, the fund balance for all entities for 2004 is \$7,596,975, a decrease of \$970,369 from 2003. The change in Income Tax collections from 2003 to 2004 explains this decrease. The year end fund balance for the General Fund is \$5,219,873. The City has a reserved fund balance for the Landfill Closure and Post Closure Trust of \$2,867,371. These monies are being accumulated to address issues required when the landfill reaches capacity. The unrestricted fund balance for all entities is \$4,729,604. This is 23.0% of total expenditures for 2004. The City wishes to maintain a balance of 16% of expenditures. The unreserved balance for the General Fund is \$2,352,502, 17.25% of General Fund expenditures. Fund balances are more than adequate to provide for emergencies or to provide flexibility in dealing with economic changes.

Debt

At the end of 2003 the City had outstanding long term debt of \$7,084,692 for all bonds and long term notes. In 2004, \$1,074,982 of that amount was retired leaving a balance of \$6,009,710. The City paid off 15.2 % of its long term debt. The balances remaining are \$2,832,806 on the 1999 G.O. Bond for improvements to Tiedeman Road and construction of the new library and the pool, 577,185 on an Ohio Public Works Commission Loan for improvements to the Landfill, \$1,910,000 on Long Term Notes and \$55,094 on Police Pension. The Special Assessment Bond for Northcliff Avenue was retired. Outstanding debt is well below the City's debt capacity and debt is being aggressively paid off. The City's debt ratios have been continuously improving since 1992.

From the Finance Director

This administration believes in full disclosure. We publish a Mid Year and End of Year Financial Review. We publish a Popular Annual Financial Report (PAFR) and mail it to all residents and businesses in the City. This is the fourth PAFR assembled by the City and is designed to supplement traditional financial reporting with a summary that is more easily understood and accessible to a broader audience. It is important for all the citizens of the community to know how their tax dollars are being utilized and what services they are receiving in return.

The PAFR is intended to summarize the financial activities of the City of Brooklyn and was drawn from financial information appearing in the 2004 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was audited by the Auditor of State, receiving an unqualified opinion. An unqualified opinion is given when the auditor can state that the financial statements are presented fairly. The PAFR is un-audited. The financial data presented in the PAFR is derived from the CAFR and consistent with GAAP. This PAFR does not and was not intended to provide all the detail and disclosure required for fair presentation in conformity with GAAP.

For the fifteenth consecutive year the City was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its 2003 CAFR. The GFOA further recognized the 2003 PAFR with its Award for Outstanding Achievement. These two prestigious national awards recognize the City of Brooklyn for achieving the highest standards in state and local government financial reporting. It is my hope that this PAFR provides you with useful and relevant information regarding the finances and operations of the City of Brooklyn. Individuals who desire to review audited, full disclosure financial statements should refer to the City's CAFR which may be obtained at City Hall. Both the CAFR and the PAFR are available for review on the City's website at www.brooklynohio.gov.

Gale W. Fisk
Finance Director

2004 ACCOMPLISHMENTS

CENTRAL DISPATCH CENTER – A major upgrade was made to the facilities and capabilities of the police department this year. A rehabilitation of the police communications center was initiated and a new central dispatch center was constructed. This facility upgrades the city's radios, 911 call center capabilities, security system and emergency generator. When coupled with new computer aided dispatch software it will completely modernize communications and police record keeping. The total cost of the project was \$432,688. The Department of Justice supplied a COPS grant for \$99,350.

RIDGE ROAD RESURFACING – Phase 3, Memphis to I-71, consisted of wearing course removal, base repairs and a new asphalt overlay. The total cost of the project was \$835,000. The city portion was \$98,300. Cuyahoga County is paying for 80% of the project. The remainder is paid by Cleveland. The completion of this project means that Ridge Road, one of two main north-south roadways in Brooklyn, has been repaved through the entirety of the City over the last three years. The total cost of all three phases was about \$3.6 million.

STREET MAINTENANCE – Recent winters have been hard on our city streets. Our street plan was updated based on damage done. Contractors made concrete repairs to the following streets: Autumn Lane, Delora Avenue, Idlewood Drive, Melody Lane, Brookport Drive and North Amber at a cost of \$311,660. Asphalt overlays were done on Plainfield, Southfield and Woodhaven. The cost for this work was \$93,285. In-house crews did concrete repairs on Associate Avenue at a cost of \$56,152 and on Southwood, Traymore, Rabbit Run and Westbrook for \$27,000. An additional \$18,653 of repairs was made to sidewalks and curbs. The cost for all this street maintenance was \$488,000.

MEMPHIS RESIGNALIZATION – The City had applied for a grant to upgrade the traffic signals on Memphis Avenue over 12 years ago. The project was finally funded and executed in 2004. Overhead wires for traffic signals have been replaced by steel poles with cross arms. Computerization will upgrade coordination of signal timing for Brooklyn's portion of the street. The project is a combination of federal, state, county and local funding at a cost of \$670,000. Brooklyn's contribution is \$81,700.

SEWER REPAIRS – The third and final phase of sewer work was done in the Plainfield, Southfield and Woodhaven area at a cost of \$53,932. The relining of these sewers should eliminate the basement flooding problems in this section of the City. The total amount for the repairs for the entire project was approximately \$947,000.

MASTER PLAN – The City received a \$30,000 CDBG grant to establish a Master Plan for Brooklyn. The entire project will cost about \$40,000 and is now about 50% complete. The plan assesses the strengths of the city, identifies areas that are underutilized or in need of redevelopment and proposes a plan the City can follow in the near future and long term to utilize, maintain and improve the resources we now have.

EXTERIOR MAINTENANCE – Brooklyn applied for and received a grant from CDBG for exterior maintenance of low to moderate income housing for \$20,000. Five recipients received assistance with needed maintenance for siding, roof repairs and window replacement. The awards ranged from \$2,950 to \$5,250.

FIRE STATION – The City advised residents last summer about the need to replace its aging hook and ladder truck. The new truck will be longer and heavier than the current apparatus and will not fit in the present 60 year old fire station. The administration had spent two years studying our options which included adding on to and renovating the present station or building a new, modern station that would meet the city's needs for the next 40 years

As we advised, the present fire station is too small. All spaces are strained. The station is about half the size of modern fire stations. The bays for apparatus are undersized in both width and length with insufficient clearance between bays. The physical condition of the present station requires substantial renovation. The present station was constructed 60 years ago and has been renovated twice.

The City rejected the option of rehabbing the present station. About 85% of the problems with the current station could be solved with this approach. Operations would be negatively affected while the construction was in progress. The estimated cost was \$2.8 million. The estimated cost for the new station is \$3.8 million. The Administration and City Council determined that building a new station was the right option. The question was put before the voters on November 2, 2004 and approved with a vote of 55% for versus 45% against.

Where is the Proposed Site of the new Fire Station?

The best site in the city is on the north side of Memphis Avenue between Brookway and Westbrook. The city owns two deep lots there with 218 feet of frontage. That is a very compact site but is big enough.

How much will the new station cost?

Preliminary estimates peg the new station at \$3,800,000. The new Hook & Ladder truck would cost about \$800,000. The amount to be funded is \$4,600,000.

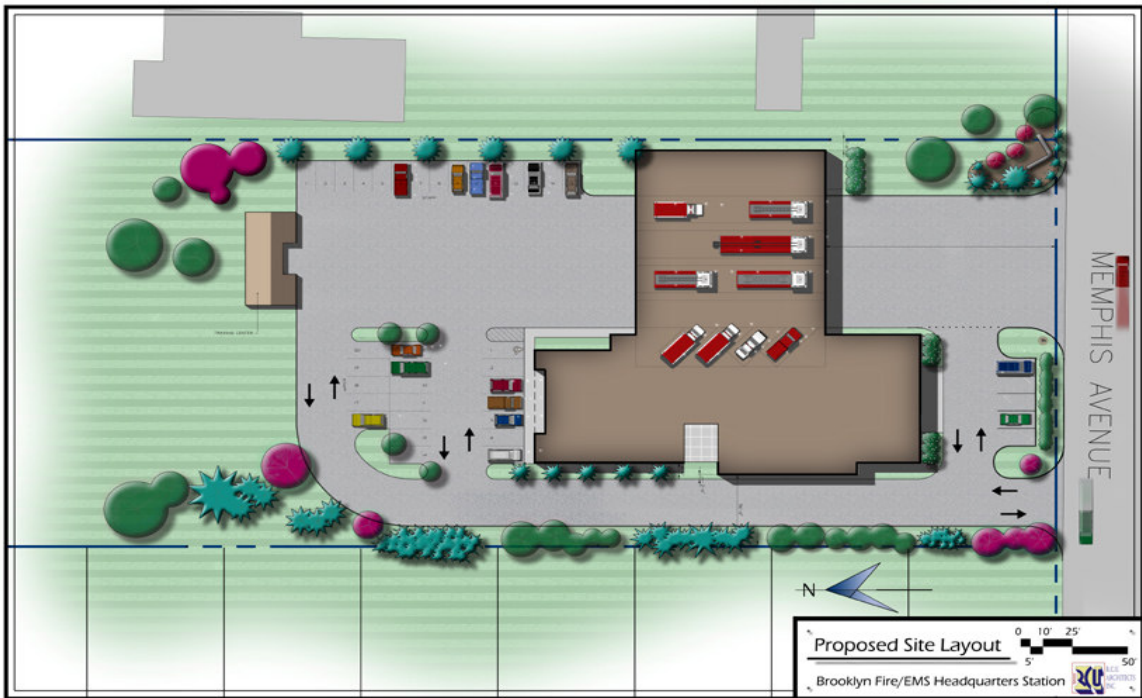
How can this be paid for?

Based on the November vote, City Council approved a 1 mill property tax increase to build the new station and buy the new truck. This will generate \$382,000 annually for that purpose. This is about a 2% increase in property tax. The City took bids on Bond Anticipation Notes for \$4.3 million to get the construction and purchase moving and received a very favorable 2.96% interest rate for the first year. Bids will soon be solicited for construction of the station and purchase of the new fire truck. The actual costs should be known by January 2006. The City then hopes to finance those costs with long term Bonds.

What is the Schedule for this Project?

RCU Architects have completed the design with input from Brooklyn Firefighters and prepared construction documents. The City has advertised for a construction manager to oversee the construction. A selection will be made in June. Site development will begin in July. Actual construction will begin in September. This should put the project at a reasonable continuation point for the winter. Completion is anticipated in October 2006.

Specifications have been developed for the new aerial ladder truck. Proposals for the truck will be requested in June and evaluated in July and August. The Administration will recommend the best vendor and request purchase authority in September. We anticipate a 12 month build out. The truck should be ready for delivery in October 2006.



City of Brooklyn
7619 Memphis Avenue
Brooklyn, Ohio 44144

City Administration

Kenneth E. Patton	Mayor
Jack T. Murphy	Chief of Police
Paul Duchoslav	Fire Chief
Donna Thompson	Executive Assistant
Thomas O. Shaper	Law Director
Robert A. Kappler	Service Director
Tom Ockington	Building Commissioner
Gale W. Fisk	Finance Director
Ronald Balbier	Magistrate

City Council

Richard H. Balbier	President of Council
John E. Frey	At Large
Rita M. Brown	At Large
Thomas E. Coyne	At Large
Gregory L. Frey	At Large
Colleen B. Gallagher	At Large
Kathleen M. Pucci	At Large